

CENTRAL INTELLIGENCE AGENCY

INFORMATION REPORT

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SECURITY INFORMATION

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1. The Ministry of Finance and the Ministry of Industry and Commerce have been discussing the conditions which will govern exportation of the present Argentine wheat crop. As of 10 January 1953 these ministries had not come to an agreement on the type of exchange which must be applied to export transactions. The Ministry of Industry and Commerce considered it essential to increase the exchange rate from five to ten Argentine pesos to the dollar. The Ministry's reasoning was that the cost of production of a ton of wheat is 550 pesos in the field and 750 pesos delivered to the port grain elevators, an amount equal to US \$140.00 (sic) per ton, F.O.B., which is considerably above the world market price. On the other hand, the Ministry of Finance was opposed to an increase in the exchange rate, which it considers inflationary, and it felt that such an increase would provoke a rise in the cost of living. In place of an increase, the Ministry of Finance favored subsidizing the farmers.
2. It appeared that these discussions would continue until early February, when the International Wheat Agreement conference in Washington would be ended. In the meantime, no exportations would be made, in the hope that the new administration in the United States might lower or eliminate the wheat subsidy, leaving Argentina in a more favorable competitive position. All shipments of wheat from Argentina have been stopped, except for commitments from the previous quota to India and France. Outstanding obligations to other countries are 360,000 tons for Japan and 700,000 tons for Brazil.
3. The Argentine Government appears to prefer to handle wheat negotiations with Peru through normal commercial channels rather than to deal directly with the Peruvian Government. This preference has been attributed to a recent deterioration of relations between Argentina and Peru, largely due to Argentine intervention in Peruvian labor matters, on the one hand, and attacks by the Lima newspaper, La Prensa, against President PERON and his regime, on the other.

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